

FINANCIAL STATEMENTSJACKSON PARISH HOSPITALSEPTEMBER 30, 2010 AND 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 4/20/11

FINANCIAL STATEMENTS

JACKSON PARISH HOSPITAL

SEPTEMBER 30, 2010 AND 2009

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A Corporation of Certified Public Accountants



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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Jackson Parish Hospital
Jonesboro, Louisiana

We have audited the financial statements of Jackson Parish Hospital, Service District No. 1, dba Jackson Parish Hospital (Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of September 30, 2010 and 2009, and the years then ended. These financial statements are the responsibility of the Hospital's management. Our responsibility is to express an opinion on these financial statements based on our audit.


We conducted our audit in accordance with generally accepted auditing standards of the United States and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Jackson Parish Hospital, a component unit of the Jackson Parish Police Jury, State of Louisiana, at September 30, 2010 and 2009, and the changes in financial position and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 29, 2011, on our consideration of the Hospital's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Jackson Parish Hospital has not presented Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements.


LANGLINAIS, BROUSSARD & KOHLENBERG
Certified Public Accountants

March 29, 2011

JACKSON PARISH HOSPITAL

BALANCE SHEET

<u>ASSETS</u>	<u>2010</u>	<u>2009</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 281,045	\$ 420,602
Accounts receivables, less allowance for doubtful accounts of \$3,016,217 in 2010 and \$4,069,914 in 2009	2,428,740	2,557,439
Other Receivables	1,053,684	302,960
Inventories	474,248	530,648
Prepaid expenses	63,011	40,611
 Total Current Assets	 4,300,728	 3,852,260
 ASSETS WHOSE USE IS LIMITED:		
Internally designated for capital acquisitions	5,182	5,104
By bond indenture	762,884	7,044
 Total assets whose use is limited	 768,066	 12,148
 PROPERTY, PLANT AND EQUIPMENT:		
Property, plant and equipment, cost	9,364,482	8,841,837
Less accumulated depreciation	(5,955,822)	(5,494,121)
Total Property and Equipment	3,408,660	3,347,716
 OTHER ASSETS:		
Bond issue cost (net)	12,246	13,746
	12,246	13,746
 TOTAL ASSETS	 \$ 8,489,700	 \$ 7,225,870

JACKSON PARISH HOSPITAL

STATEMENT A

SEPTEMBER 30,

<u>LIABILITIES AND NET ASSETS:</u>	<u>2010</u>	<u>2009</u>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 242,000	\$ 232,000
Credit balances	40,060	34,586
Accounts payable	443,717	287,668
Accrued salaries and related withholdings	658,451	608,816
Interest payable	<u>16,538</u>	<u>7,140</u>
Total Current Liabilities	<u>1,400,766</u>	<u>1,170,210</u>
LONG-TERM LIABILITIES:		
Long-Term Debt:		
General Obligation issue 2008	<u>2,026,000</u>	<u>1,075,000</u>
Total Long-Term Liabilities	<u>2,026,000</u>	<u>1,075,000</u>
TOTAL LIABILITIES	<u>3,426,766</u>	<u>2,245,210</u>
NET ASSETS		
Invested in Capital Net of Related Debt	3,408,659	3,347,717
Restricted: Debt Service	768,065	12,147
Unrestricted	<u>886,210</u>	<u>1,620,796</u>
TOTAL NET ASSETS	<u>5,062,934</u>	<u>4,980,660</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 8,489,700</u>	<u>\$ 7,225,870</u>

The accompanying notes are an integral part of these financial statements

JACKSON PARISH HOSPITAL

STATEMENT B

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

YEAR ENDED

	<u>2010</u>	<u>2009</u>
OPERATING REVENUES:		
Net patient service revenues	\$ 12,144,697	\$ 13,306,431
Other operating revenue	<u>3,219,991</u>	<u>2,480,861</u>
Total Operating Revenues	<u>15,364,689</u>	<u>15,787,292</u>
OPERATING EXPENSES:		
Professional services	9,081,491	8,898,996
General and administrative	4,599,329	4,104,819
Depreciation and amortization	463,201	354,178
Provision for doubtful accounts	<u>2,986,087</u>	<u>4,266,786</u>
Total Operating Expenses	<u>17,130,108</u>	<u>17,624,779</u>
INCOME (LOSS) FROM OPERATIONS	<u>(1,765,419)</u>	<u>(1,837,487)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	1,150	4,617
Interest expense	(93,625)	(19,932)
Rent payments	-	-
Grant income	145,637	1,255,024
Ad valorem taxes	<u>1,794,531</u>	<u>1,454,946</u>
Total Non-Operating Revenues	<u>1,847,693</u>	<u>2,694,655</u>
CHANGE IN NET ASSETS	<u>82,274</u>	<u>857,168</u>
TOTAL NET ASSETS, BEGINNING	<u>4,980,660</u>	<u>4,123,492</u>
TOTAL NET ASSETS, ENDING	<u>\$ 5,062,934</u>	<u>\$ 4,980,660</u>

The accompanying notes are an integral part of these financial statements

JACKSON PARISH HOSPITAL

STATEMENT C

STATEMENT OF CASH FLOWS	YEAR ENDED SEPTEMBER 30,	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from patients	\$ 14,748,132	\$ 16,021,359
Cash payments to suppliers for goods and services	(9,775,294)	(10,957,664)
Cash payments to employees for services	(6,642,526)	(6,253,089)
Net Cash Flow from Operating Activities	(1,669,688)	(1,189,394)
CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:		
Ad valorem taxes	1,794,531	1,454,947
Grant income	145,637	1,255,027
Net Cash Provided by Investing Activities	1,940,168	2,709,974
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of fixed assets	(522,644)	(2,464,140)
Proceeds from long term debt	1,193,000	1,307,000
Principal payments on long-term debt	(232,000)	(330,000)
Interest payments on long-term debt	(93,625)	(19,937)
Net Cash Used in Capital and Related Financing Activities	344,731	(1,507,077)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest income	1,150	4,617
Net Cash Provided by Financing Activities	1,150	4,617
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	616,361	18,120
CASH AND CASH EQUIVALENTS BEGINNING OF YEAR, INCLUDING \$5,104 AND \$5,015 LIMITED AS TO USE FOR 2010 AND 2009, RESPECTIVELY	432,750	414,630
CASH AND CASH EQUIVALENTS AT END OF YEAR INCLUDING \$768,066 AND \$12,148 LIMITED AS TO USE FOR 2010 AND 2009, RESPECTIVELY	\$ 1,049,111	\$ 432,750
CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ (1,765,419)	\$ (1,837,487)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	463,201	354,178
Provision for doubtful accounts	2,986,093	4,266,786
Increase in receivables and due from third parties	(3,602,644)	(4,032,718)
Decrease (Increase) in inventories and prepaid expenses	34,000	(33,374)
Increase in accounts payable/accrued expenses	215,081	93,221
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ (1,669,688)	\$ (1,189,394)

The accompanying notes are an integral part of these financial statements.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Jackson Parish Hospital Service District No. 1 (the Hospital) was created in 1950, by the Parish Government of Jackson Parish, Louisiana to operate, control, and manage matters concerning the parish's health care functions. The Jackson Parish Police Jury appoints the Board of Commissioners of the Hospital, and the Hospital may not issue debt without the Parish's approval. For this reason, the Hospital is considered to be a component unit of the Jackson Parish Government, Jackson Parish, Louisiana.

Basis of accounting. The accompanying basic financial statements of the Hospital have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, the GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. GASB 34 established standards for external financial reporting for all state and local governmental entities, which included a balance sheet or statement of net assets, a statement of revenues, expenditures and changes in net assets, and a statement of cash flows utilizing the direct method of presentation. The Statement requires the classification of net assets into four components - invested in capital assets, net of related debt; restricted expendable net assets; restricted nonexpendable net assets and unrestricted net assets. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital net assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. *Restricted nonexpendable net assets* equal the principal portion of permanent endowments. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*. These and other changes are reflected in the accompanying basic financial statements (including the notes to the financial statements).

Use of estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Proprietary fund accounting. The Hospital utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Inventories. Inventories of drugs and supplies are stated at the lower of cost (first-in, first-out) or market.

Property, Plant and Equipment. Property and equipment acquisitions are recorded at cost. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method. Equipment under capital lease obligations is amortized on the straight-line method over the shorter

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Grants and donations. Revenues from grants and donations (including capital contributions of assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and donations may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expense.

Operating revenues and expenses. The Hospital's statements of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services, the Hospital's principal activity. Non-exchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Income taxes. The Hospital is a political subdivision and exempt from taxes.

Advertising. The Hospital expenses advertising cost as incurred.

Costs of borrowing. Except for capital assets acquired through gifts, contributions, or capital grants, interest cost on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. None of the Hospital's interest cost was capitalized in either fiscal year ended September 30, 2010 or 2009.

Cash and cash equivalents. Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the Hospital may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

Trade receivables and allowance for uncollectible accounts. Trade receivables are carried at the original billed amount less an estimate made for uncollectible accounts based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for uncollectible accounts by identifying troubled accounts

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

and by using historical experiences applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

Advalorem Taxes. The Hospital's property tax is levied by the parish on the taxable real property in the district in late October of each year. Bills are sent out in November of each year, and becomes a lien the following March. The collection period for the Hospital's property taxes is from December (at which time they become delinquent) to the succeeding May. The Hospital received approximately 10.4 percent in 2010, and 7.9 percent in 2009, of its financial support from ad valorem taxes.

Risk Management. The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

Restricted resources. When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Environmental matters. Due to the nature of the Hospital's operations, materials handled could lead to environmental concerns. However, at the time, management is not aware of any environmental matters which need to be considered.

Reclassifications. To be consistent with current year classifications, some items from the previous year have been reclassified with no effect on net assets.

Accounting Standards. Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Hospital has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Investments in debt and equity securities. Investments in debt and equity securities are carried at fair value except for investments in debt securities with maturities of less than one year at the time of purchase. These investments are reported at amortized cost, which approximates fair value. Interest, dividends, and gains and losses, both realized and unrealized, on investments in debt and equity securities are included in non-operating income when earned.

Net patient service revenue. The Hospital has agreements with third-party payors that provide payments to the Hospital at amounts different from its established rates. Inpatient acute care services, swing bed services and outpatient services rendered to Medicare program beneficiaries are reimbursed at cost plus 1% (subject to limits and rules), while other outpatient laboratory services are reimbursed on a fee schedule. The Hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary. The Hospital's Medicare cost

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 1: DESCRIPTION OF REPORTING ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

reports have been settled by the Medicare fiscal intermediary through September 30, 2008.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed at prospectively determined rates per day. Certain outpatient services to Medicaid program beneficiaries are reimbursed at cost plus 10%, subject to certain limits, while other outpatient services are reimbursed on a fee schedule. The Hospital is reimbursed for outpatient services at an interim rate with final settlement determined after submission of annual cost reports by the Hospital and audits thereof by the Medicaid fiscal intermediary. The Hospital's Medicaid cost reports have been settled by the Medicaid fiscal intermediary through September 30, 2008.

The Hospital has entered into payment arrangements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined rates. To the extent management's estimate differs from actual results, the differences will be used to adjust income in the period when such differences arise.

NOTE 2: MAJOR SOURCE OF REVENUE

The Hospital participates in the Medicare and Medicaid programs as a provider of medical services to program beneficiaries. The Hospital derived approximately 53% and 56% of its gross patient service revenue in 2010 and 2009, respectively, from patients covered by the Medicare and Medicaid programs. Included in net patient service revenues for 2010 and 2009, is additional reimbursement for Medicaid Uncompensated Care Adjustments of \$1,045,028 and \$1,149,995, respectively.

NOTE 3: PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, by major category, is as follows at September 30, 2010:

	Asset life in years	Beginning Balance	Additions	Deletions	Ending Balance
Land		\$ 28,900	\$ -	\$ -	\$ 28,900
Land improvements	5 - 25	204,698	-	-	204,698
Building	10 - 40	2,589,111	393,268	-	2,982,379
Fixed equipment	5 - 25	3,499,073	72,902	-	3,571,975
Movable equipment	5 - 25	2,500,714	56,475	-	2,557,189
Automobile	5	19,341	-	-	19,341
Total cost		8,841,837	522,645	-	9,364,482
Less accumulated depreciation		(5,494,121)	(461,701)	-	(5,955,822)
Net Property, Plant and Equipment		<u>\$3,347,716</u>	<u>\$ 60,944</u>	<u>\$ -</u>	<u>\$ 3,408,660</u>

Depreciation expense for the years ended September 30, 2010 and 2009 amounted to \$461,701 and \$352,928 respectively. Amortization expense for bond issue cost for the years ended September 30, 2010 and 2009 was \$1,500 and \$1,250, respectively.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 4: LONG-TERM DEBT

Long-term debt at September 30, 2010 and 2009, consisted of the following:

	<u>2010</u>	<u>2009</u>
Certificates of indebtedness, dated December 4, 2008, in the amount of \$2,500,000 with an interest rate of 4.375% maturing serially on February 1 of each year beginning in 2010, with interest payable on February 1 and August 1 of each year, with the final maturity February 1, 2018	<u>\$ 2,268,000</u>	<u>\$ 1,307,000</u>
Total long-term debt	2,268,000	1,307,000
Less current portion	<u>242,000</u>	<u>232,000</u>
Long-term portion	<u>\$ 2,026,000</u>	<u>\$ 1,075,000</u>

Under the terms of the Note Indentures, the Hospital is required to maintain certain deposits with a trustee. Such deposits are included with assets limited as to use in the financial statements.

A summary of long-term debt activity for the year ended is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
General obligation issue 2008	<u>\$1,307,000</u>	<u>\$ 1,193,000</u>	<u>\$ 232,000</u>	<u>\$ 2,268,000</u>
Total	<u>\$1,307,000</u>	<u>\$ 1,193,000</u>	<u>\$ 232,000</u>	<u>\$ 2,268,000</u>

Balance due within one year:

	<u>2010</u>	<u>2009</u>
General obligation issue 2008	<u>\$ 242,000</u>	<u>\$ 232,000</u>

Scheduled repayments on long-term debt are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 242,000	\$ 93,931	\$ 335,931
2012	253,000	83,103	336,103
2013	264,000	71,794	335,794
2014	276,000	59,981	335,981
2015	288,000	47,644	335,644
Thereafter	<u>\$ 945,000</u>	<u>\$ 63,241</u>	<u>\$ 1,008,241</u>
Total	<u>\$2,268,000</u>	<u>\$ 419,694</u>	<u>\$ 2,587,694</u>

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 5: ASSETS LIMITED AS TO USE

The composition of assets limited as to use at September 30, 2010 and 2009, is set forth in the following table.

Cash

	<u>2010</u>	<u>2009</u>
By board for capital improvements	\$ 5,182	\$ 5,104
By Bond indenture	<u>762,884</u>	<u>7,044</u>
	<u>\$ 768,066</u>	<u>\$ 12,148</u>

Investment income and gains on assets limited as to use, cash equivalents, and other investments are comprised of the following for the years ending September 30, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Income:		
Interest income	\$ 78	\$ 170

NOTE 6: CASH FLOWS SUPPLEMENTAL INFORMATION

Total interest paid by the Hospital was \$84,077 and \$13,551, for 2010 and 2009, respectively.

NOTE 7: CONCENTRATIONS OF CREDIT RISK

The Hospital grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of receivables (net of allowances) from patients and third-party payors at September 30, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Medicare	17%	16%
Medicaid	16	11
Commercial and other third-party payors	<u>67</u>	<u>73</u>
	<u>100%</u>	<u>100%</u>

NOTE 8: PENSION PLAN

The Hospital sponsors a defined contribution plan. The Plan Administrator is the Human Resources Director. Eligibility requirements are one year of employment and attaining the age of 21. Vesting is 50% at 3 years of service, 75% at 4 years and 100% at 5 years. The Plan's coverage includes death, disability and retirement benefits. The Hospital may amend the Plan at any time at its' sole discretion. However, no amendment may result in any participant's vested interest or any portion of the Plan's assets reverting back to the Hospital. The Hospital contributes 1% for all eligible employees. It will match up to 4% of employee salaries, if the employee also contributes 4%. The Hospital contributed \$194,904 and \$159,362 for the years ended September 30, 2010 and 2009, respectively.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 9: UNCOMPENSATED CARE

The Hospital receives a disproportionate share payment for uncompensated care. This payment is based upon estimated uncompensated care cost and is subject to audit by the Louisiana Department of Health and Hospitals. Coverage for uncompensated care is based on the State's fiscal year.

NOTE 10: FAIR VALUE OF FINANCIAL INSTRUMENTS

The following methods and assumptions were used by the Hospital in estimating the fair value of its financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates its fair value.

Investments: Fair values, which are the amounts reported in the balance sheet, are based on quoted market prices for similar securities.

Assets limited as to use: These assets consist primarily of cash and short-term investments and interest receivable. The carrying amount reported in the balance sheet is fair value.

Accounts payable and accrued expenses: The carrying amount reported in the balance sheet for accounts payable and accrued expenses approximates its fair value.

Estimated third-party payor settlements: The carrying amount reported in the balance sheet for estimated third-party payor settlements approximates its fair value.

Long-term debt: Fair values of the Hospital's revenue notes are based on current traded value. The fair value of the Hospital's remaining long-term debt is estimated using discounted cash flow analyses, based on the Hospital's current incremental borrowing rates for similar types of borrowing arrangements.

The carrying amounts and fair values of the Hospital's financial instruments at September 30, 2010 and 2009, are as follows:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$ 1,049,111	\$ 1,049,111	\$ 432,750	\$ 432,750
Accounts payable and accrued expenses	\$ 1,118,706	\$ 1,118,706	\$ 903,624	\$ 903,624
Estimated receivable from third party payors	\$ 1,023,152	\$ 1,023,152	\$ 274,564	\$ 274,564
Estimated third-party payor settlements	\$ -	\$ -	\$ 22,661	\$ 22,661
Long-term debt	\$ 2,268,000	\$ 2,268,000	\$1,307,000	\$1,307,000

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 11: BANK DEPOSITS AND INVESTMENTS

State statutes authorize the Hospital to invest in obligations of the U.S. Treasury, certificates or other obligations of the United States of America, and time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. At September 30, 2010 and 2009, the Hospital had bank balances as follows:

	<u>2010</u>	<u>2009</u>
Insured (FDIC)	\$ 250,080	\$250,000
Collateralized by securities held by the pledging financial institution's trust department in the Hospital's name	<u>3,138,994</u>	<u>1,000,000</u>
Total	<u>\$3,389,074</u>	<u>\$1,250,000</u>
Carrying Value	<u>\$1,118,655</u>	<u>\$ 558,650</u>

NOTE 12: PROFESSIONAL LIABILITY RISK

The Hospital participates in the Louisiana Patient's Compensation Fund (PCF) established by the State of Louisiana to provide medical professional liability coverage to health care providers. The PCF provides for \$400,000 in coverage per occurrence above the first \$100,000 per occurrence for which the Hospital is at risk. The PCF places no limitation on the number of occurrences covered. In connection with the establishment of the PCF's, the State of Louisiana enacted legislation limiting the amount of settlement for professional liability to \$500,000 per occurrence. The courts have not tested the constitutionality of this legislation, although the Louisiana Supreme Court has decided that this limit does not apply in cases of strict liability. The Hospital's membership in the Louisiana Hospital Association Trust Fund provides additional coverage for professional medical malpractice liability. The trust fund bills members in advance based upon an estimate of their exposure. At policy year-end, premiums are re-determined utilizing actual losses of the Hospital.

NOTE 13: CRITICAL ACCESS STATUS

Effective November 1, 2004, Jackson Parish Hospital was approved for "critical access" status under the Medicare Rural Hospital Flexibility Program. The program allows states to designate rural facilities as "critical access hospitals" if they are located a sufficient distance from other hospitals, make available 24-hour emergency care, maintain no more than 25 inpatient beds, and keep inpatients no longer than 96 hours (except where weather or emergency conditions dictate, or a Peer Review Organization waives the limit). Payment for inpatient and outpatient services under this program is on the basis of reasonable cost.

JACKSON PARISH HOSPITAL

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2010 and 2009

NOTE 14: COMPENSATED ABSENCES

Full time employees earn accrued time off (ATO) based on years of service, part time employees accrue ATO on a pro-rated basis based on years of service. All ATO balances will be paid upon termination. Sick pay is not vested and therefore not accrued. The Hospital's policy is to recognize the cost of sick pay when actually paid to employees. Accrued time off, which is included in accrued salaries and related withholdings, at September 30, 2010 and 2009 totaled \$294,709 and \$263,141, respectively.

NOTE 15: OPERATING LEASES

The Hospital leases various equipment under operating leases expiring at various dates through 2014. Total rental expense for the years ended September 30, 2010 and 2009 for all operating leases was approximately \$465,660 and \$481,700, respectively. The following is a schedule by year of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year:

<u>Years ending September 30,</u>	<u>Amount</u>
2011	\$ 2,772,308
2012	2,772,308
2013	2,772,308
2014	<u>2,772,308</u>
Total	<u>\$11,089,232</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
INPATIENT SERVICE REVENUES		
Daily Patient Services:		
Room and Board	\$ 1,381,319	\$ 1,654,986
Total	<u>1,381,319</u>	<u>1,654,986</u>
Other Nursing Services:		
Operating room	114,772	11,951
Central supplies	991,121	1,398,612
Emergency service	503,967	329,527
Total	<u>1,609,860</u>	<u>1,740,090</u>
Other Professional Services:		
Respiratory	1,609,781	2,083,675
Anesthesiology	12,720	14,474
Laboratory	1,542,282	1,396,020
Therapy services	34,398	78,117
Blood	108,128	76,059
Radiology	1,756,211	2,038,034
Pharmacy	3,183,744	2,995,135
Total	<u>8,247,264</u>	<u>8,681,514</u>
TOTAL INPATIENT SERVICE REVENUE	<u>11,238,443</u>	<u>12,076,590</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF PATIENT SERVICE REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
OUTPATIENT SERVICE REVENUES		
Other Nursing Services:		
Operating room	53,342	132,742
Central supplies	328,757	241,201
Emergency service	<u>2,688,667</u>	<u>2,347,868</u>
Total	<u>3,070,766</u>	<u>2,721,811</u>
Other Professional Services:		
Respiratory	480,239	528,517
Anesthesiology	6,101	49,042
Laboratory	3,505,462	2,832,934
Blood	17,592	17,349
Radiology	3,817,490	4,015,734
Pharmacy	<u>1,152,611</u>	<u>1,049,191</u>
Total	<u>8,979,495</u>	<u>8,492,767</u>
TOTAL OUPATIENT SERVICE REVENUE	<u>12,050,261</u>	<u>11,214,578</u>
GROSS PATIENT SERVICE REVENUE	23,288,704	23,291,168
Less Contractual Adjustments	<u>12,189,035</u>	<u>11,134,732</u>
Net Patient Service Revenue before Uncompensated Care	11,099,669	12,156,436
Medicaid Uncompensated Care	<u>1,045,028</u>	<u>1,149,995</u>
NET PATIENT SERVICE REVENUE	<u>\$ 12,144,697</u>	<u>\$ 13,306,431</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF OTHER OPERATING REVENUES

YEAR ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
OTHER OPERATING REVENUES		
Physicians offices	\$ 1,551,961	\$ 1,242,588
Clinics	1,582,952	1,113,846
Cafeteria and vending sales	31,952	32,172
Medical records	-	47
Other	<u>53,126</u>	<u>92,208</u>
Total	<u>\$ 3,219,991</u>	<u>\$ 2,480,861</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF PROFESSIONAL SERVICES

YEAR ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
Salaries and Fees:		
Nursing	\$ 1,639,838	\$ 1,709,858
Respiratory	541,648	478,856
Operating room	4,107	20,042
Emergency room	1,399,014	1,135,706
Laboratory	723,292	743,174
Radiology	539,144	533,205
Pharmacy	181,962	166,762
Anesthesiology	40,470	30,900
Central supply	49,048	55,526
Clinics	<u>1,668,731</u>	<u>1,655,481</u>
Total Salaries and Fees	<u>6,787,254</u>	<u>6,529,510</u>
Supplies and Other Expenses:		
Nursing	435,900	396,239
Respiratory	41,461	93,181
Operating room	16,038	25,861
Emergency room	86,311	115,724
Laboratory	504,765	555,679
Radiology	353,686	394,552
Pharmacy	774,119	680,965
Anesthesiology	10,317	18,928
Central supply	4,083	2,305
Blood	67,916	52,103
Clinics	<u>(359)</u>	<u>33,949</u>
Total Supplies and Other Expenses	<u>2,294,237</u>	<u>2,369,486</u>
Total Professional Services	<u>\$ 9,081,491</u>	<u>\$ 8,898,996</u>

JACKSON PARISH HOSPITAL

SCHEDULES OF GENERAL AND ADMINISTRATIVE

YEAR ENDED SEPTEMBER 30,

	<u>2010</u>	<u>2009</u>
Salaries and Fees:		
Administrative	\$ 727,308	\$ 595,695
Maintenance	238,695	243,286
Housekeeping	180,142	170,674
Medical records	140,375	127,586
Dietary	<u>177,325</u>	<u>168,735</u>
Total Salaries and Fees	<u>1,463,845</u>	<u>1,305,976</u>
Administrative	2,504,345	2,072,654
Maintenance	326,728	465,736
Housekeeping	131,740	103,208
Medical records	48,944	36,058
Dietary	<u>123,727</u>	<u>121,187</u>
Total Supplies and Other Expenses	<u>3,135,484</u>	<u>2,798,843</u>
Total General and Administrative Services	<u>\$ 4,599,329</u>	<u>\$ 4,104,819</u>

JACKSON PARISH HOSPITAL

SCHEDULE OF GOVERNING BOARD EXPENSES

YEAR ENDED SEPTEMBER 30,

	<u>2010</u>		<u>2009</u>	
	<u>NUMBER OF</u> <u>MEETINGS</u> <u>ATTENDED</u>	<u>COMPENSATION</u>	<u>NUMBER OF</u> <u>MEETINGS</u> <u>ATTENDED</u>	<u>COMPENSATION</u>
Barbara Johns	9	\$ 320	10	400
Todd Culpepper	13	-	12	-
Fannie Williams	10	-	8	-
Claudean Cartwright	11	-	9	-
Lonnie Menzina	3	-	6	-
Larry Ayres	0	-	3	-
Debra Jackson	6	240	8	320
Sean Disotell	8	-	6	-

**LANGLINAIS
BROUSSARD &
KOHLENBERG**

A Corporation of Certified Public Accountants



Glen P. Langlinais, C.P.A.
Michael P. Broussard, C.P.A.
Chris A. Kohlenberg, C.P.A., M.B.A., M.H.A.
Sayla L. Falcon, C.P.A.

Patrick M. Guidry, C.P.A.
Ashley V. Breaux, C.P.A.
Jonathan P. Primeaux, C.P.A., M.B.A.

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Jackson Parish Hospital
Hospital Service District No. 1
Parish of Jackson
Jonesboro, Louisiana

We have audited the financial statements of Jackson Parish Hospital, Service District No.1, dba Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2010 and 2009, and have issued our report thereon dated March 29, 2011.

We conducted our audit in accordance with generally accepted auditing standards of the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements of the hospital as of and for the year ended September 30, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the Hospital's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hospital's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hospital's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider all deficiencies described in the accompanying "Schedule of Findings and Questioned Costs and Management's Corrective Action Plan" to be significant deficiencies.

COMPLIANCE

As part of obtaining reasonable assurance about whether the Hospital's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance that are required to be reported under Government Auditing Standards.

The hospital's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Management's Corrective Action Plan. We did not audit the Hospital's responses and, accordingly, we express no opinion on it.

This report is intended for the information of the Hospital Service District No. 1 Parish of Jackson and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

We acknowledge with appreciation the courtesies extended our representatives during the audit.

Sincerely,



LANGLINAIS BROUSSARD & KOHLENBERG
(A Corporation of Certified Public Accountants)

March 29, 2011

HOSPITAL SERVICE DISTRICT NO. 1
DBA JACKSON PARISH HOSPITAL
PARISH OF JACKSON
JONESBORO, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the year ended September 30, 2010

We have audited the financial statements of Jackson Parish Hospital, Service District No. 1, dba Jackson Parish Hospital (the Hospital), a component unit of the Jackson Parish Police Jury, State of Louisiana, as of and for the years ended September 30, 2010 and 2009, and have issued our report thereon dated March 29, 2011. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of OMB Circular A-133. Our audits of the financial statements as of September 30, 2010 and 2009 resulted in unqualified opinions.

Section I: Summary of Auditor's Reports

A. Report on Internal Control and Compliance Material to the Financial Statements:

Internal Control

Material Weaknesses:	Yes
Significant Deficiencies:	Yes

Compliance

Compliance Material to Financial Statements	Yes
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Section II: Financial Statement Findings

A - Issues of Noncompliance

Finding 2010-1 Payment for Non-Services

Condition and Criteria: The Hospital distributed gift cards to its employees.

Effect: The hospital may not be in compliance with Louisiana law, including, but not limited to, LA R.S. 42.1111.

Recommendation: We recommend that the hospital consult with their attorney to determine if they are in compliance with Louisiana statutes regarding the gift cards.

Management Response: We have consulted with counsel. And, given the historical context, including the intent of the Board of Commissioners, we believe that debit cards should properly be classified as a part of our Hospital's earned benefit policy. In order to best address this issue, we have had the attached formal resolution prepared and will be recommending to the Board that it be adopted at its next regularly scheduled meeting.

B- Significant Deficiencies

Finding 2010-2 Financial Statement Preparation

Condition and Criteria: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing principles, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Effect: This condition represents a material weakness in the Hospital's internal control system.

Recommendation: The hospital's accounting personnel should continue to attend education courses to further their knowledge in the application of Generally Accepted Accounting

Principles. The hospital should also consider outsourcing the preparation of its financials to its independent auditors and carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.

Management Response: Management recognized that it is unable to cost effectively employ the staffing needed to satisfy this material weakness. Furthermore, Hospital accounting personnel will continue to attend continued education events and the CFO is a member of the Healthcare Financial Management Association.

Finding 2010-3 Segregation of Duties

Condition and Criteria: The hospital has several employees whose duties are not segregated.

Effect: This condition represents a material weakness in the Hospital's internal control system.

Recommendation: The authorization, recording, and reconciliation of transactions and decisions and the custody of assets related to those transactions and decisions should be segregated.

Management Response: Management recognizes that it is unable to cost effectively segregate duties with the number of employees available. We have implemented new policies and restructured certain areas to enhance accounting controls. To minimize risk, management supervises and reviews activities on a regular basis.

Finding 2010-4 Delayed Charges

Condition and Criteria: Postponed coding of medical records charts lead to an estimated \$1.2 million dollars in uncharged services at year end.

Effect: Services that are not charged promptly may result in an increased amount of accounts receivable write-offs leading to large losses for the hospital. This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital should set a policy requiring charts to be coded within a certain number of days after patient discharge. Management should monitor the amount of time between patient discharge, medical record coding, billing and collections of patient charges. Management should also consider increasing staff or outsourcing a portion of the coding function to contracted vendors.

Management Response: Management has addressed this issue by hiring another Medical Records Coder. As recommended, a policy requiring charts to be coded within an average of five (5) business days after patient discharge has been set. Also, management has filled the business office manager's position with a four year degreed accountant who has implemented processes to monitor the amount of time it takes from time of service to the collection of patient charges. (The business officer manager's position has been open for over two years)

Finding 2010-5 Unbilled Services

Condition and Criteria: A large portion of charges for inpatient physician services (doctor's rounds) were not billed.

Effect: Services that are not billed promptly may result in the understatement of receivables and revenues as well as result in decreased collections and increased losses for the hospital. This represents a material weakness in the hospital's internal control system.

Recommendation: Frequent audits of medical records and billing should be performed by management in order to detect missed charges. Management should monitor the amount of time between patient discharge, medical record coding, billing and collections of patient charges. Management should also consider increasing staff or outsourcing a portion of the billing function to contracted vendors.

Management Response: Management, since the fiscal year end, has resolved the inpatient physician rounds issue. With the addition of the new Business Office Manager and the assistance of other office personnel, physician round charges are now current and charged/billed on a regular basis. Audits will be performed more frequently to assure that

all services provided are billed appropriately and management will monitor time frames from patient discharge to the collection of patient charges.

Finding 2010-6 Billing

Condition and Criteria: Bills for services are not being processed in a timely fashion.

Effect: The age of accounts receivables have increased when compared to prior years. Services that are not billed promptly may result in the understatement of receivables and revenues as well as result in decreased collections and increased losses for the hospital. The time between patient discharge date and billing date should be kept at a minimum; as this period increases, the risk for loss increases. Delayed billing can lead to non-reimbursed services including accounts receivable write-offs and untimely filing denials. This represents a material weakness in the hospital's internal control system.

Recommendation: The hospital should set a policy requiring patient billing to be completed a certain number of days after patient discharge. Management should monitor the amount of time between patient discharge, medical record coding, billing and collections of patient charges. Management should also consider increasing staff or outsourcing a portion of the billing function to contracted vendors.

Management Response: Management has addressed this issue and a policy will be set to require patient billing to be completed within an average of fifteen (15) business days after patient discharge. Management is confident we can achieve an acceptable turnaround of patient insurance billing without the addition and/or outsourcing to contracted vendors. With the "full" use of the hospital's billing software, 95% of patient insurance billing can be done electronically.

Finding 2010-7 Cash Reconciliation

Condition and Criteria: A monthly journal entry to cash is made to account for timing differences between deposits made and general ledger recording. The timing difference is not reconciled to specific outstanding transactions.

Effect: Reconciling journal entries to cash that are general in nature can lead to an increased risk of material misstatement and an increased risk of fraud. This represents a material weakness in the hospital's internal control system.

Recommendation: Reconciling items to any account, especially cash accounts, should be detailed in nature and easily traceable to specific transactions.

Management Response: Management has addressed this issue and the reconciling items to any account will be detailed in nature and easily traceable to specific transactions.

Section III: Management Letter Items

There are no management letter items at September 30, 2010.

HOSPITAL SERVICE DISTRICT NO. 1
DBA JACKSON PARISH HOSPITAL
PARISH OF JACKSON
JONESBORO, LOUISIANA

SCHEDULE OF PRIOR YEAR FINDINGS
For the Year Ended September 30, 2010

Finding 2009-1 Financial Statement Preparation: The Hospital relies on its outside auditors to assist in the preparation of external financial statements and related disclosures. Under U.S. generally accepted auditing principles, outside auditors cannot be considered part of the Hospital's internal control structure, and, because of limitations of the Hospital's small accounting staff, the design of the Hospital's internal control structure does not otherwise include procedures to prevent or detect a material misstatement in the external financial statements.

Status: Unresolved. See Finding 2010-2.

Finding 2009-2 Segregation of Duties: The hospital has several employees whose duties are not segregated.

Status: Unresolved. See Finding 2010-3.

Finding 2009-3 Matching of Purchase Orders to Invoices: Purchase orders are issued by the personnel in central supply when ordering supplies or services. Upon receipt of the supplies, central supply personnel check off the purchase order items received in the computer system. When the invoices for these supplies and services are received by the accounts payable department, they are not being checked to the purchase orders.

Status: Resolved.



Jackson Parish Hospital

165 Beech Springs Road . Jonesboro, Louisiana 71251. Telephone 318-259-4435

An Affiliate of St. Francis Medical Center

"Partners of Life"

www.jacksonparishhospital.com

March 29, 2011

Mr. Steve J. Theriot, CPA
Legislative Auditor
State of Louisiana
P.O. Box 94397
Baton Rouge, LA 70804-9397

RE: Financial Statement Findings in the Audit Report for Fiscal Year Ending September 30, 2010

Dear Mr. Theriot:

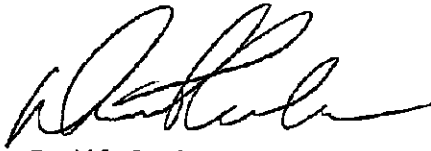
In response to findings in the September 30, 2010 audit findings (attached), the following action has been taken:

- Finding 2010-1 We have consulted with counsel. And, given the historical context, including the intent of the Board of Commissioners, we believe that debit cards should properly be classified as a part of our Hospital's earned benefit policy. In order to best address this issue, we have had the attached formal resolution prepared and will be recommending to the Board that it be adopted at it's next regularly scheduled meeting.
- Finding 2010-2 Management recognizes that it is unable to cost effectively employ the staffing needed to satisfy this material weakness. Furthermore, Hospital accounting personnel will continue to attend continued education events and the CFO is a member of the Healthcare Financial Management Association.
- Finding 2010-3 Management recognizes that it is unable to cost effectively segregate duties with the number of employees available. We have implemented new policies and restructured certain areas to enhance accounting controls. To minimize risk, management supervises and reviews activities on a regular basis.
- Finding 2010-4 Management has addressed this issue by hiring another Medical Records Coder. As recommended, a policy requiring charts to be coded within an average of five (5) business days after patient discharge has been set. Also, management has filled the Business Office Manager's position with a four (4) degreed accountant who has implemented processes to monitor the amount of time that it takes from time of service to the collection of patient charges. (The business office manager's position had been open for over two years.)
- Finding 2009-5 Management, since the fiscal year end, has resolved the inpatient physician rounds issue. With the addition of the new Business Office Manager and the assistance of other office personnel, physician round charges are now current and charged/billed on a regular basis. Audits will be performed more frequently to assure that all services provided are billed appropriately and Management will monitor time frames from patient discharge to the collection of patient charges.

- Finding 2009-6 Management has addressed this issue and a policy will be set to require patient billing to be completed within an average of fifteen (15) business days after patient discharge. Management is confident that we can achieve an acceptable turn around of patient insurance billing without the addition and/or outsourcing to contracted vendors. With the "full" use of the Hospital's billing software, 95% of patient insurance billing can be done electronically.
- Finding 2009-7 Management has addressed this issue and the reconciling items to any account will be detailed in nature and easily traceable to specific transactions.

If additional information is needed, please advise and it will be promptly submitted.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Sanders', with a stylized, flowing script.

David L. Sanders, CFO

Cc: Chris Kohlenberg, CPA, MBA